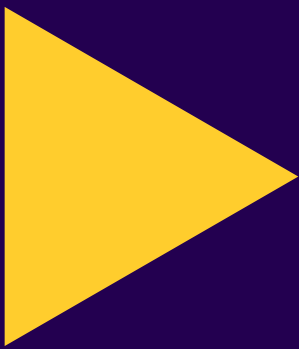




International
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► Inequalities in the world of work





Inequalities in the world of work

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Abstract: This publication provides a multidimensional assessment of earnings inequality in the world of work using harmonized ILO microdata. It examines vertical inequality through relative and absolute measures, horizontal disparities across demographic and labour-market groups, and inequality of opportunity driven by circumstances beyond individual control. The findings show that Sub-Saharan Africa and Latin America consistently exhibit high earnings inequality, with absolute measures revealing particularly wide material gaps. Decomposition results highlight the large role of sectoral differences and employment formality, while demographic characteristics such as sex contribute less to between-group inequality but remain important when considering intersecting disadvantages. Inequality of opportunity accounts for a measurable share of wage dispersion, underscoring persistent structural barriers. The publication also analyses earnings among own-account workers, revealing substantial within-group inequality, especially in the informal economy. Overall, the results underscore the need for comprehensive labour-market policies that address structural segmentation, expand formal employment, and improve access to decent work.

► Introduction and Conceptual Framework - Multidimensional Inequality: Measurement for labour earnings

Measuring inequality begins by asking two fundamental questions: inequality of what, and among whom? (Atkinson, 2015, p?). This framing is essential for selecting appropriate measures and, consequently, for designing effective policy interventions that capture both visible and hidden inequalities. In the world of work, inequality goes beyond income differences and is shaped by underlying socio-economic factors such as age, sex, ethnicity, disability, HIV status, and migration status, as well as other intersectional characteristics that often drive discrimination and restrict access to employment and decent work.

The publication provides a multidimensional, evidence-based view of these disparities by combining relative and absolute measures, drawing on theories of inequality. This perspective is critical for designing policy interventions that promote a more equitable labour market. It examines three key dimensions of inequality: vertical, horizontal, and inequality of opportunity, each of which are further explained below.

The International Labour Organization (ILO) has long emphasised the need to consider a multidimensional analyses of inequalities to capture disparities in access to employment and decent work, wage disparities, disparities in access to social protection and to occupational safety (ILO, 2019a; ILO, 2023a).

The Global Wage Report 2022-23 underscores how crises such as the COVID-19 pandemic and inflationary pressures have exacerbated existing wage inequalities, disproportionately affecting women, young workers, migrants, and those in informal employment (ILO, 2022a). Taking a longer term view, the 2024-25 Global Wage Report reveals a reduction in wage inequality in two-thirds of the 72 countries studied since 2000, though reductions were larger at the top of the wage distribution (reflecting declines in very high earners' relative advantage), while wages at the bottom of the wage distribution declined, worsening overall wage inequalities (ILO, 2024a). Similarly, the World Employment and Social Outlook (ILO, 2024b) highlights how structural labour market segmentation, informality, and lack of social dialogue contribute to persistent inequalities, even in periods of economic recovery. As highlighted in the Global Wage Report 2024-25, differences in employment status, particularly between wage workers and

own-account workers, are a key determinant of labour income inequality. This publication will therefore include a specific focus on own-account workers and their income patterns in its second part.

Inequality assessments have often relied on household disposable income, which represents income after taxes and transfers and can be adjusted for household size and composition to reflect differences in consumption needs (Atkinson and Bourguignon, 2015). While this perspective is critical for understanding broader inequality, it may obscure disparities rooted specifically in the labour market, which are central to the experience of workers and the functioning of economies. Hence, this publication focuses on labour earnings, capturing remuneration for work at the individual level, as a lens to examine disparities that originate in the labour market. This is consistent with ILO approaches that uses wages, and sometimes the broader concept of labour income, as key indicators of wage and labour income inequality (see for instance ILO, 2024a). It also contributes to monitoring progress towards Sustainable Development Goal 10 on reducing inequalities within and among countries, as well as Sustainable Development Goal 8 on promoting decent work and inclusive labour economic growth.

This publication uses the most recent available ILO estimates based on harmonized, cross-country data to analyse earnings inequality through multiple indices. The approach enables analyses at the country and regional level, as well as over time, and examines key dimensions such as gender, disability, migration, and sectoral differences, reflecting the ILO's focus on structural barriers shaping labour market outcomes. (ILO, 2021).

After presenting the methodology and data in Section 1, Section 2 analyses monthly earnings for wage employees to measure relative and absolute vertical inequality, horizontal inequalities, as well as Inequality of opportunity across demographic and structural characteristics. Measuring different aspects of wage inequality provides important insights into multiple forms of labour market inequalities and the barriers that workers face in accessing fair remuneration. It also reveals differences across demographic and socio-economic groups. The concluding part of the section examines the dispersion in hours worked by wage employees and relates it to the dispersion in monthly wages to provide insights into the relative importance of differences in working time in shaping overall monthly wage inequality.

Section 3 focuses on own-account workers, who represent a large share of the workforce in many low- and middle-income countries, that generally earn less than wage employees and often face challenges related to decent work. Earnings inequality indicators are computed separately for each subgroup defined by gender and formality, allowing for a comparison of disparities across these categories. The paper provides perspectives of issues improving earnings and working conditions for this often-vulnerable segment of the labour market by comparing summary indicators across these subgroups. Section 4 concludes the publication by presenting policy recommendations based on the analysis of inequality among wage and non-wage workers, taking into account differences across worker types, gender, formality, and regional contexts

► 1. Methodology and data

The data are sourced from national labour force and household income and expenditure surveys, and are harmonized, cleaned, and processed by the ILO for inclusion in its microdata repository. The primary data sources include Labour Force Surveys (LFS) and other nationally representative household surveys that capture labour market information across different countries and time periods.

The primary variable of interest is monthly earnings, which measures monthly labour-related income in the main job for both employees and own-account workers (ILO, 1998). These figures represent reported monthly earnings rather than full-time equivalent (FTE) earnings and therefore do not adjust for differences in hours worked. This variable, in the form of monthly wages for wage employees or earnings for

own-account workers in the corresponding section of the publication, is used as the primary variable for calculating all measures of labour income inequality presented in the report. Monthly earnings are converted from national currency into constant 2017 USD using purchasing power parity (PPP) for cross-country comparisons. Monthly earnings have been previously used in empirical studies (Gindling and Trejos, 2005; Krstić and Sanfey, 2011) to measure unfairness in gross remuneration for work done.

While disposable household income provides a broader perspective on inequality by incorporating taxes, transfers, and adjustments for household size and composition, focusing on labour income inequality helps assess the portion of inequality that arises from the uneven distribution of labour income. Moreover, the surveys required to measure household income inequality are generally less frequent and less widely available across countries than those providing labour income information. This publication focuses on labour earnings as a more direct lens on disparities attributable to labour markets, in line with ILO recommendations for tracking labour income distributions¹.

► 2. Inequality Measures

2.1 Vertical inequality

Vertical inequality refers to disparities in income, wealth, and social status among individuals within a hierarchical structure, where some occupy higher positions in terms of earnings, resources, or social standing than others, capturing proportional differences in earnings distributions and reflecting disparities in access to resources and opportunities (Sen, 1999; Piketty, 2014). Those higher in the socio-economic hierarchy generally command greater power, authority, and share of resources compared to those at the lower end. This analysis employs both relative and absolute measures of vertical inequality to provide complementary insights.

Relative inequality measures proportional differences in income by normalizing income gaps to the mean or median and serves as a proxy for disparities in access to resources and opportunities (Sen, 1999). It reveals how societies distribute economic gains and highlights structural barriers to equitable access, which are key for social stability and prosperity (Stiglitz, 2012). Absolute inequality, by contrast, captures income gaps in monetary terms without normalizing (Atkinson, 2015) and these gaps can widen even when relative inequality remains unchanged during economic growth (Ravallion, 2003). Comparing both measures offers a fuller picture of inequality by showing proportional distribution and material distances. In this report, the Gini and Theil indices are used for their versatility in capturing overall income inequality and for their ability to be decomposed across different groups, providing insights into disparities by gender, sector, and other key characteristics, which correspond to horizontal inequality (described in the next section). When focusing on own-account workers, a different indicator, the Mean Logarithmic Deviation (MLD), is used, chosen for its particular sensitivity to changes at the lower end of the distribution (Cowell and Flachaire, 2007). This makes it especially relevant for own-account workers, many of whom earn relatively low incomes.

¹ The ILO publication [The Global Labour Income Share and Distribution: Methodological Description](#) recommends using labour earnings as they offer a more direct perspective on disparities attributable to labour markets. Labour earnings capture income generated specifically through work, excluding capital income and transfers, which allows analysts to isolate labour market dynamics and assess fairness in work-related outcomes. This approach ensures that inequality analysis focuses on labour market-driven disparities rather than broader wealth differences.

2.2 Horizontal inequality

Horizontal inequality measures assess disparities between demographic or socioeconomic groups, focusing on differences across defined categories such as gender, disability status, migration background, and economic sector participation. This approach is critical for identifying systematic disadvantages faced by specific subpopulations and providing insights into how discrimination can perpetuate inequality within the world of work.

2.2.1 Between-Group Contributions to Inequality

For horizontal inequality analysis in this publication, we calculate the between-group component of inequality using decomposition techniques. The analysis examines horizontal disparities using gender, disability status, place of birth², and employment formality as grouping variables to calculate the portion of total earnings inequality that can be attributed to differences between these groups. Both Gini and Theil indices are employed in the decomposition, with Theil coefficients being more sensitive to extreme values, particularly useful for analysing formality-based disparities where inequalities may be driven by tail effects rather than consistent differences across the entire distribution.

2.2.2 Inequality of opportunities

As a complement to the analysis of horizontal inequality, the inequality of opportunity (IoP) measure quantifies the proportion of total earnings inequality attributable to circumstances beyond individual control, such as sex, place of birth, disability status, and geographical coverage³. Building on Roemer's (1998) theoretical framework, this approach distinguishes inequality driven by circumstances into which individuals are born or placed (factors they cannot choose or influence) from inequality linked to individual effort and choices, which vary in the degree of individual control. Inequality of opportunity exists when outcomes (like income) are strongly determined by circumstances rather than effort.

To assess inequality of opportunity, that is how factors beyond an individual's control affect earnings inequality, we use a machine learning approach called a Random Forest⁴, specifically a version known as conditional inference forests (Hothorn et al., 2006). This method examines many characteristics of workers to identify which circumstances beyond an individual's control are most strongly linked to differences in earnings. By applying this method, we can estimate how much of overall earnings inequality is due to factors people cannot change, helping to reveal which groups face disadvantages in the labour market (Brunori et al., 2018). While horizontal inequality and inequality of opportunity both address disparities in earnings distributions, they capture fundamentally different dimensions of inequality. Horizontal inequality focuses on between-group disparities, examining whether certain groups systematically earn less than others (Stewart, 2008). In contrast, inequality of opportunity decomposes total inequality to determine how much can be attributed to circumstances beyond individual control versus individual choices and efforts (Brunori et al., 2013; Ferreira and Peragine, 2015), though in practice these boundaries may overlap.

2 According to the [ILO Guidelines on International Labour Migration Statistics](#) and the ILOSTAT methodology, place of birth is one of the two main criteria used to identify international migrants:

- Place of birth distinguishes between native-born and foreign-born populations (individuals born outside the country of measurement).
- The other criterion is citizenship, distinguishing between citizens and non-citizens.

These variables are used in the International Labour Migration Statistics (ILMS) database within ILOSTAT to measure migrant status and produce indicators on migrant workers.

3 Geographical coverage captures differences between urban and rural areas, which can shape access to jobs and earnings, making it relevant for measuring inequality of opportunity

4 Random Forest is an ensemble machine learning algorithm that builds multiple decision trees on random subsets of data and features, then aggregates their predictions (by voting or averaging) to improve accuracy and reduce overfitting

These measures are complementary rather than substitutes, as they can reveal different policy-relevant patterns (IMF and World Bank, 2020; Stewart, 2005). A country might exhibit relatively low horizontal inequality between groups while still having high inequality of opportunity if most inequality occurs within groups due to different circumstances. Analyzing both provides better guidance to governments when designing specific policies, as they offer different yet complementary insights into the causes and consequences of inequality.

2.2.3 Limitations

The analysis follows a systematic, multi-level approach. First, inequality measures are calculated for each individual country with available data on all required variables. Second, countries are aggregated into ILO regions and subregions, calculating inequality measures for each geographical grouping using a simple average to obtain both country-level and regional estimates. Finally, the analysis of inequality of opportunity analysis is conducted at the country level to quantify the extent to which circumstances beyond an individual's control influence earnings outcomes.

It is important to note that the analysis has limitations. When analysing within-group inequality in low and middle-income countries, these summary measures can be biased due to how particular groups (e.g., women, disabled workers, migrants) may be underrepresented in certain sectors and cluster around specific sections of the wage distribution. Alternative measures such as factor-weighted gaps that consider composition effects, as discussed in the Global Wage Report 2018 (ILO, 2018a), may provide complementary insights for policy design.

There are further challenges related to data availability. While focusing on monthly earnings provides a direct view of labour market disparities, it does not capture the redistributive effects of government interventions through taxes and transfers that affect final household welfare (Piketty 2015). Recent monthly earnings data, especially for own-account workers, are unavailable for several countries, with notable gaps for major economies including China and Germany, potentially affecting the representativeness of regional aggregates. However, this limitation is less problematic in the present analysis, as regional estimates are calculated using simple, unweighted averages of country-level measures.

The analysis is limited to national and regional levels, due to the lack of systematically available subnational data across countries. Additionally, crucial demographic variables, such as ethnicity and religion, could not be included due to data limitations, despite their recognised importance for understanding intersectional inequalities in the labour market.

2.3 Earnings Inequality: Wage Employees

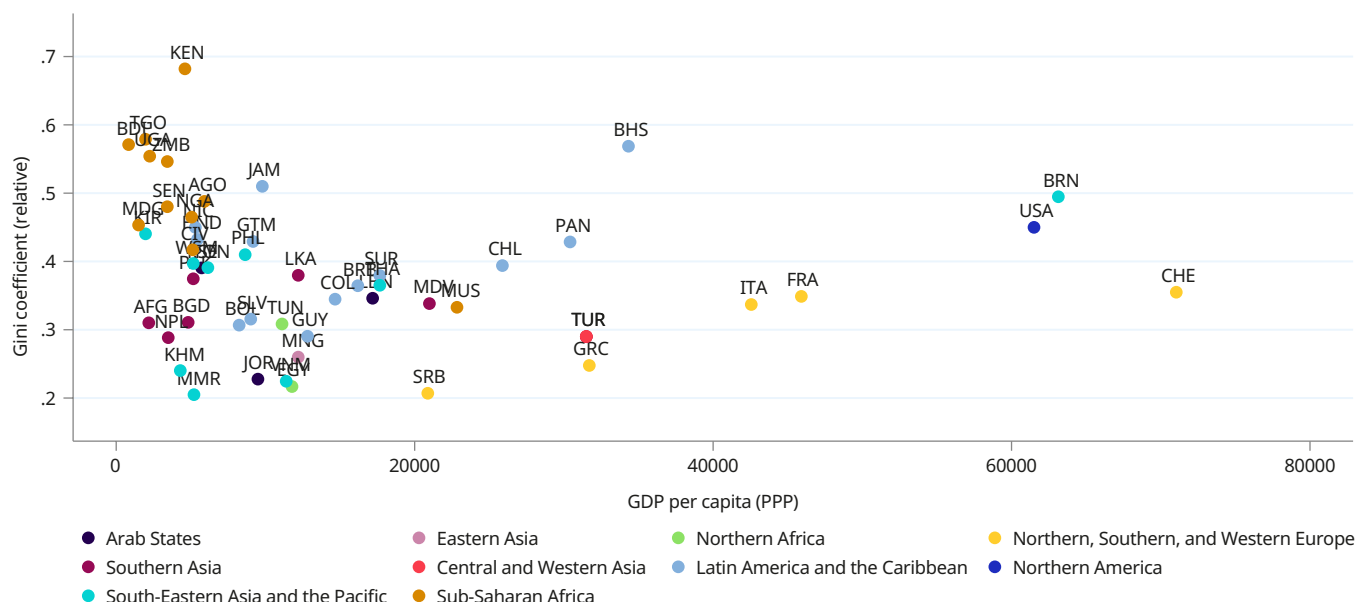
2.3.1 Vertical inequality

Figure 1 displays the estimates of relative Gini indices for wages in a sample of countries from the dataset, with each country's Gini coefficient plotted against its GDP per capita in 2017 PPP terms⁵. Observations are coloured by ILO subregions to highlight geographic groupings, while the relationship between national income levels and inequality is reflected in the position of each country along the axes.

Sub-Saharan Africa and Latin America and the Caribbean generally display the highest relative inequality estimates, typically coinciding with lower GDP per capita levels. This relationship suggests a negative correlation between economic development and wage inequality. In contrast, Northern, Southern, and Western Europe display the lowest relative inequality levels, consistent with more integrated labour markets, broader formal employment coverage, and stronger wage-setting institutions. However, even

5 The same graph, using a logarithmic scale for GDP per capita, is provided in the Appendix to better distinguish the points that are clustered at the lower end

► **Figure 1. Vertical Inequality: Relative Measures for wage workers** (constant 2017 USD PPP)



Source: Own elaboration, ILO microdata from ILOSTAT.

high-income countries such as Switzerland (Gini $\approx$ 0.35) and the United States reveal substantial disparities, indicating that economic development alone does not guarantee equitable wage distribution. This pattern underscores the importance of addressing structural barriers within labour markets to ensure fair access to opportunities. South-Eastern Asia and the Pacific present a mixed pattern: some countries show moderate inequality, while others exhibit higher levels, likely linked to persistent informality and sectoral segmentation.

The analysis of absolute inequality, omitted here for conciseness, indicates that regional patterns broadly mirror, and in some cases reinforce, those seen for relative inequality. Disparities remain substantial in low-income regions and appear even more striking in absolute terms, because small proportional differences translate into large material gaps when overall wage levels are low. Countries in Latin America and the Caribbean exhibit some of the highest absolute inequality levels, even among economies with relatively high GDP per capita. This again confirms that economic growth does not necessarily translate into narrower wage gaps in either relative or absolute terms. Sub-Saharan Africa also shows large absolute disparities. Northern Africa presents notable absolute inequality, though slightly lower than in Sub-Saharan Africa and Latin America, reflecting persistent structural segmentation. In contrast, as with relative inequality, countries in Northern, Southern, and Western Europe generally display the lowest absolute inequality levels, consistent with relatively equal pay structures, extensive formal employment, and well-established wage-setting institutions, although high-income countries like Switzerland still reveal significant income gaps.

At the country level, Kenya (KEN) exhibits the highest earnings inequality under both relative and absolute measures. Among Latin American countries, Bahamas (BHS) and Panama (PAN) show high absolute inequality despite higher GDP per capita levels. These findings align with existing literature showing that, despite overall economic development, Latin America continues to experience structural labour market segmentation and unequal access to high-paying employment (López-Roldán and Fachelli, 2022).

In a policymaking context, complementing relative measures of inequality with absolute measures is essential to fully capture the scale of earnings disparities and their implications for living standards. Focusing solely on relative measure can sometime underestimate the true extent of inequality. Relative

measures highlight proportional differences, whereas absolute measures reveal the actual monetary gaps that shape living conditions, making the two perspectives highly complementary for policy analysis, and easier for the public to understand and relate with. The evidence also shows that high national income does not guarantee equitable earnings distribution; structural labour market characteristics and institutional frameworks play a decisive role in shaping outcomes. For this reason, comprehensive strategies to reduce inequality must take both relative and absolute dimensions into account in order to design effective interventions that promote fairness and inclusion in the world of work.

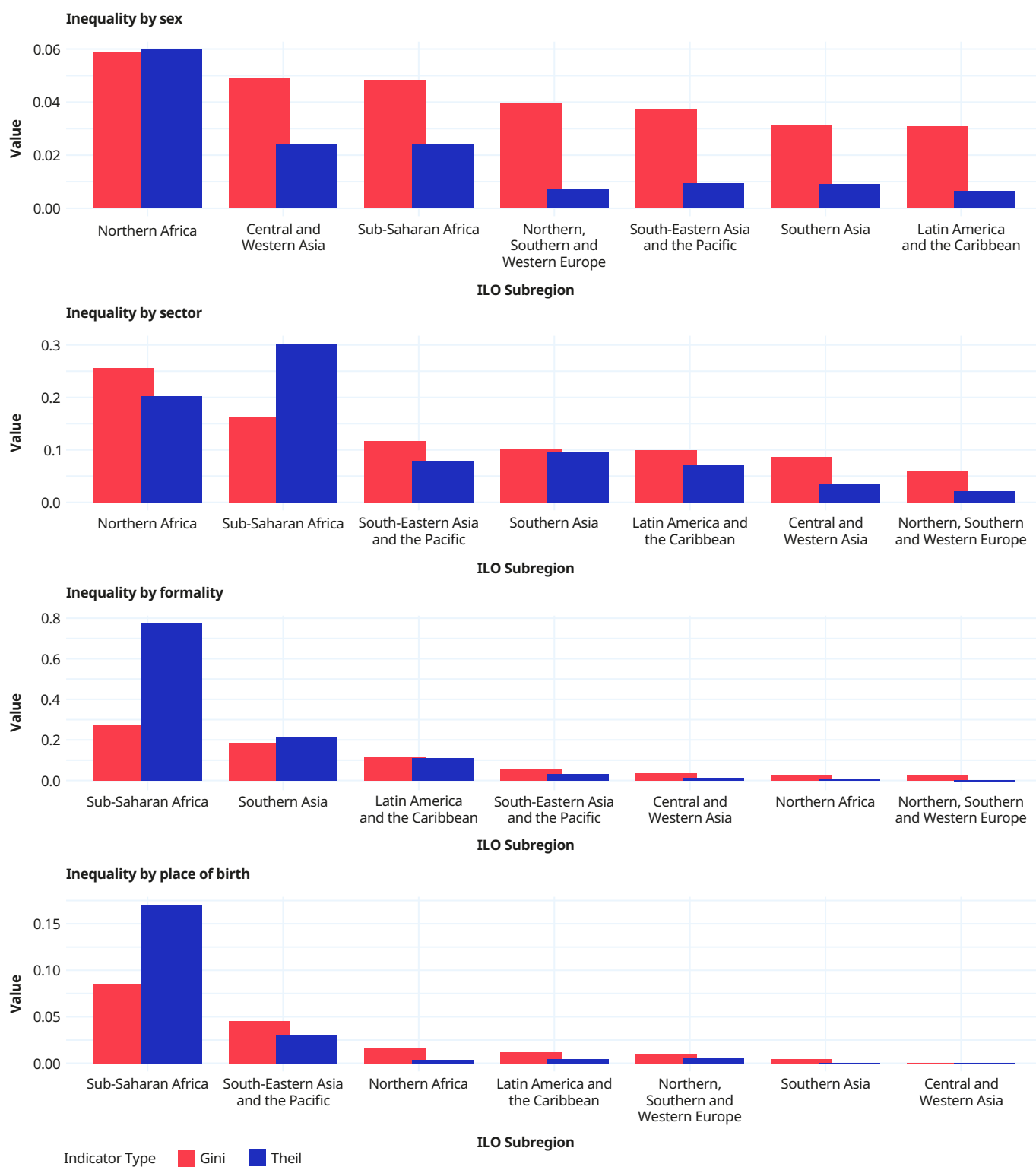
2.3.2 Horizontal disparities

Figure 2 displays the average absolute between-groups component of wage inequality across ILO subregions⁶, calculated separately for four key dimensions: sex, economic sector, employment formality, and place of birth. The part of overall inequality that is due to systematic differences by sex appears modest, with between-group Gini components between 0.03 and 0.06, and Northern Africa showing the highest value among regions. This pattern is consistent with the higher overall earnings inequality in Africa. These figures should be interpreted with caution, as they represent only the between-group component of inequality and do not indicate the share of total inequality or within-group disparities. If we compare these figures, with the total inequality indices reported in Figure 1, it is evident that although this region exhibits the largest between-sex component of inequality, it is small relative to total inequality. While this requires further research using data from a larger set of countries, these findings suggest that most earnings variation occurs within sexes rather than between them. Moreover, while the between-group component of an inequality index indicates the extent to which a particular characteristic contributes to overall inequality, it does not reveal which group is disadvantaged in the labour market. Two countries could exhibit similar between-group components yet reflect opposite situations: in one country, one group may be disadvantaged, while in another, the other group may be disadvantaged. Therefore, traditional pay gaps and comparisons with within-group components are important complementary measures to provide a fuller picture of inequality.

The analysis by economic activity reveals the largest between-group components among the four classifications, indicating that differences across sectors contribute most to overall wage inequality. On average, across countries in each subregion, Northern Africa shows the largest between-sector components, with the average Gini between-group value reaching approximately 0.25, while Sub-Saharan Africa also shows a relatively high between-group component, at around 0.18. As noted above, these figures represent the absolute level of inequality attributable to differences across all sectors combined, rather than individual sectors, and should be understood as one component of the overall index rather than a standalone measure. While the absolute value may be higher in some regions, this indicates that differences across sectors contribute more in magnitude to overall inequality, but not necessarily a larger share of total inequality. Although the absolute between-sector component is higher in Northern Africa than in Southern Asia, this does not necessarily mean that sectoral differences explain a greater share of total inequality in the former. A smaller absolute value in one region could still represent a significant contribution relative to total inequality, and policymakers should consider both absolute levels and their proportion of overall inequality when designing interventions. The relative size of the between-sector component compared to other dimensions suggests that sectoral placement significantly shapes wage outcomes. However, a full understanding requires examining complementary measures of other sources of inequality, such as the within-group components, which together provide a more complete picture of the drivers of wage disparities.

6 ILOSTAT aggregates countries into subregions following the official ILO regional classification, which groups countries into five major regions (Africa, the Americas, the Arab States, Asia and the Pacific, Europe and Central Asia) and their corresponding subregions. This standardized structure ensures consistency in regional estimates and comparability across datasets (See International Labour Organization. (n.d.). Country, territory and area groupings. ILOSTAT. Retrieved from <https://ilostat ilo.org/methods/concepts-and-definitions/classification-country-groupings/>).

► **Figure 2. Horizontal Inequality: Between-Group Disparities**



Source: Own elaboration, ILO microdata from ILOSTAT.

The between-group component measured by formality status varies considerably across subregions. In Sub-Saharan Africa and Southern Asia, the average between-group Gini component reaches up to 0.3, whereas in Northern Africa and Northern, Southern, and Western Europe the value is close to zero. When interpreting these results, it is important to keep national context in mind, as similar values may reflect very different circumstances. The low between-group component in Northern Africa and Northern, Southern, and Western Europe could be driven by very different situations: in Europe, the low level of inequality by formality status may reflect relatively similar wage, with both formal and informal workers earning adequate incomes, whereas in Northern Africa, formal-sector wages may be low, and averages for both formal and informal workers are close, resulting in a small between-group component. Overall, the results suggest that in some regions wages differ substantially between formal and informal employment, indicating that formality status is an important source of horizontal inequality. However, the decomposition only reflects differences in average wages between groups and does not indicate which group earns more or the stability of earnings. To fully understand the implications of formality for inequality, complementary measures, such as pay gaps or detailed distributional analysis, are needed.

The analysis of place of birth shows between-group differences that are more moderate, with Sub-Saharan Africa exhibiting the largest absolute value, an average between-group Gini of around 0.08. This suggests that while migration and regional origin matter in determining wages, they contribute less to overall disparities than difference across sector or formality status. A key statistical reason is that, in most countries, and particularly in low- and middle-income economies, the population share of foreign-born workers is considerably smaller than the share of workers in informal employment or concentrated in lower-paying sectors. As a result, even if migrants face significant wage disadvantages, the between-group component remains modest relative to much larger structural divides such as formality and sectoral segmentation.

Overall, Sub-Saharan Africa consistently shows the largest between-group differences across all dimensions, followed by Northern Africa, which aligns with their higher levels of overall wage inequality. The smaller between-group differences in regions such as Central and Western Asia or Eastern Europe suggest more integrated labour markets and potentially more effective policy frameworks for reducing wage disparities between these groups.

2.3.3 Inequality of Opportunity

Inequality of opportunity quantifies the proportion of total wage inequality attributable to circumstances beyond individual control, such as sex, place of birth, disability status, and geographical coverage. Table 1 displays estimates for 24 countries in the ILO microdata repository. A higher IoP (%) indicates that a larger share of total wage inequality is associated with circumstances beyond an individual's control. This does not necessarily mean that overall wage inequality is high, nor does a lower IoP automatically signal better outcomes, as it only reflects the proportion of inequality attributable to uncontrollable characteristics without explicitly indicating the level of overall inequality. From a policy perspective, higher IoP highlights the potential for interventions aimed at reducing inequality of opportunity by promoting more equitable outcomes for groups defined by these characteristics, whereas lower IoP suggests that circumstances play a smaller role in shaping wage differences among individuals. In countries with low IoP but high overall inequality, policy interventions may need to focus on broad-based measures, such as minimum wage policies, collective bargaining, wage transparency, and skills development.

Countries in Asia and the Pacific generally exhibit higher inequality of opportunity values, with Cambodia displaying the highest initial value at 14.38% in 2009 (declining to 6.14% by 2021), Mongolia reaching 4.37% in 2022, and Fiji showing 4.67% in 2011 (declining to 3.29% by 2016). This pattern may reflect persistent structural inequalities in these economies, where geographical location, gender, and other circumstances create significant barriers to equal economic opportunities.

► **Table 1. Inequality of Opportunity estimates**

Country	ILO Subregion	Earliest Year	IoP (%)	Latest Year	IoP (%)
Albania	Europe and Central Asia	2008	0.49%	2012	1.09%
Armenia	Europe and Central Asia	2016	9.35%	2021	9.46%
Benin	Africa	2018	4.67%	2018	4.67%
Cambodia	Asia and the Pacific	2009	14.38%	2021	6.14%
Chile	Americas	2022	2.27%	2022	2.27%
Comoros	Africa	2021	1.07%	2021	1.07%
Costa Rica	Americas	2010	2.88%	2021	4.90%
Côte d'Ivoire	Africa	2017	0.21%	2017	0.21%
Ecuador	Americas	2014	4.13%	2014	4.13%
Ethiopia	Africa	2021	2.65%	2021	2.65%
Fiji	Asia and the Pacific	2011	4.67%	2016	3.29%
Gambia	Africa	2012	0.24%	2018	0.32%
Ghana	Africa	2013	0.72%	2022	1.09%
Guinea-Bissau	Africa	2018	3.80%	2018	3.80%
Honduras	Americas	2023	3.94%	2023	3.94%
Lao People's Democratic Republic	Asia and the Pacific	2017	0.41%	2022	0.91%
Lesotho	Africa	2019	3.25%	2019	3.25%
Marshall Islands	Asia and the Pacific	2019	0.91%	2019	0.91%
Mongolia	Asia and the Pacific	2021	2.37%	2022	4.37%
Myanmar	Asia and the Pacific	2015	2.97%	2015	2.97%
Portugal	Europe and Central Asia	2007	1.12%	2015	4.88%
Rwanda	Africa	2017	21.55%	2022	8.09%
Senegal	Africa	2018	2.15%	2018	2.15%
Sudan	Africa	2022	1.37%	2022	1.37%

Source: Own elaboration, ILO microdata from ILOSTAT.

Most countries show IoP values between 1-5%, indicating that while circumstances play a measurable role, the majority of wage inequality stems from other factors, including education, skills, and individual choices⁷. However, even these seemingly modest percentages represent structural barriers that prevent equal access to economic opportunities based on characteristics individuals cannot control.

⁷ These relatively low IoP values may also reflect limitations of the model and available data, as some relevant circumstances may be unobserved or imperfectly measured

2.4 Inequality in Wages and Working Hours: A Comparative Analysis

Having examined horizontal and vertical wage inequality as well as inequality of opportunity among wage workers, an important question is how differences in working hours contribute to disparities in wages. In this publication, monthly wages are used as the primary measure of earnings inequality, but differences in monthly wages can arise from two sources: variation in hourly wage rates and variation in the number of hours worked. Comparing inequality in monthly wages and working hours provides a complementary view of labour market disparities and is especially important from a gender perspective, as women often spend fewer hours in the labour market due to care responsibilities and other social constraints. This distinction is relevant for policy, as interventions may target these dimensions differently. For example, policies promoting minimum wages or equal pay address inequality in hourly rates, whereas regulations on working hours, access to full-time work, or support for flexible work arrangements can reduce disparities arising from unequal hours. Understanding both dimensions helps identify which policy levers are most effective for addressing labour market inequality, even though the relationship between working hours and monthly wage dispersion is largely mechanical (Beckmannshagen & Schröder, 2022).

Figures 3 and 4 present scatterplots of working hours inequality against wage inequality, measured using the relative Gini index for both variables and distinguishing between formal and informal wage workers. The diagonal line represents the 45-degree line, where proportional disparities in weekly hours equal disparities in monthly earnings. Because monthly wages and hours worked are typically highly correlated, points above the line suggest that dispersion in hourly wages contributes to higher overall earnings inequality (since monthly wages display greater variability than working hours). Conversely, points below the line indicate that differences in working hours exceed those in earnings, suggesting that the higher monthly wage inequality may be partially offset by variation in hourly pay. It is important to note that the graphs do not establish any direct relationship between hours worked and monthly wages. The analysis captures inequality for each of this dimension, and the scatterplots do not demonstrate a direct link between the two variables. However, empirical evidence shows that hours worked and monthly wages are generally positively correlated, so the relative positions of the points can be interpreted in light of this knowledge to provide insight into how working hours and hourly rates are likely to jointly shape overall monthly wage inequality.

Comparing Figures 3 and 4, the scatterplots reveal that wage workers in the informal economy exhibit greater dispersion in both working hours and monthly wages, with informal workers displaying higher Gini values for both variables than their formal counterparts. This pattern is consistent with the lower labour protections typically associated with informal economic activities, where workers are less likely to benefit from standardized working time regulations or consistent compensation arrangements.

It is interesting to note that almost all countries are located above the 45-degree line, indicating that monthly wage inequality generally exceeds inequality in working hours. While this does not guarantee that workers working a higher number of hours are the same individuals with high monthly wages, it is consistent with the idea that variation in hourly rates, combined with differences in hours worked, contributes to greater dispersion in monthly earnings. This pattern highlights how both hourly pay and allocation of working hours contribute jointly to overall earnings inequality and underscores the importance of considering both dimensions when designing policies to reduce labour market disparities. Sub-Saharan African countries tend to be positioned furthest from the 45-degree line in both employment categories, indicating that, relative to other regions with similar working hours inequality, differences in monthly wages are proportionally larger. This is consistent with the fact that factors other than hours worked, such as variation in hourly rates, contribute a relatively greater share to overall earnings inequality in these countries.

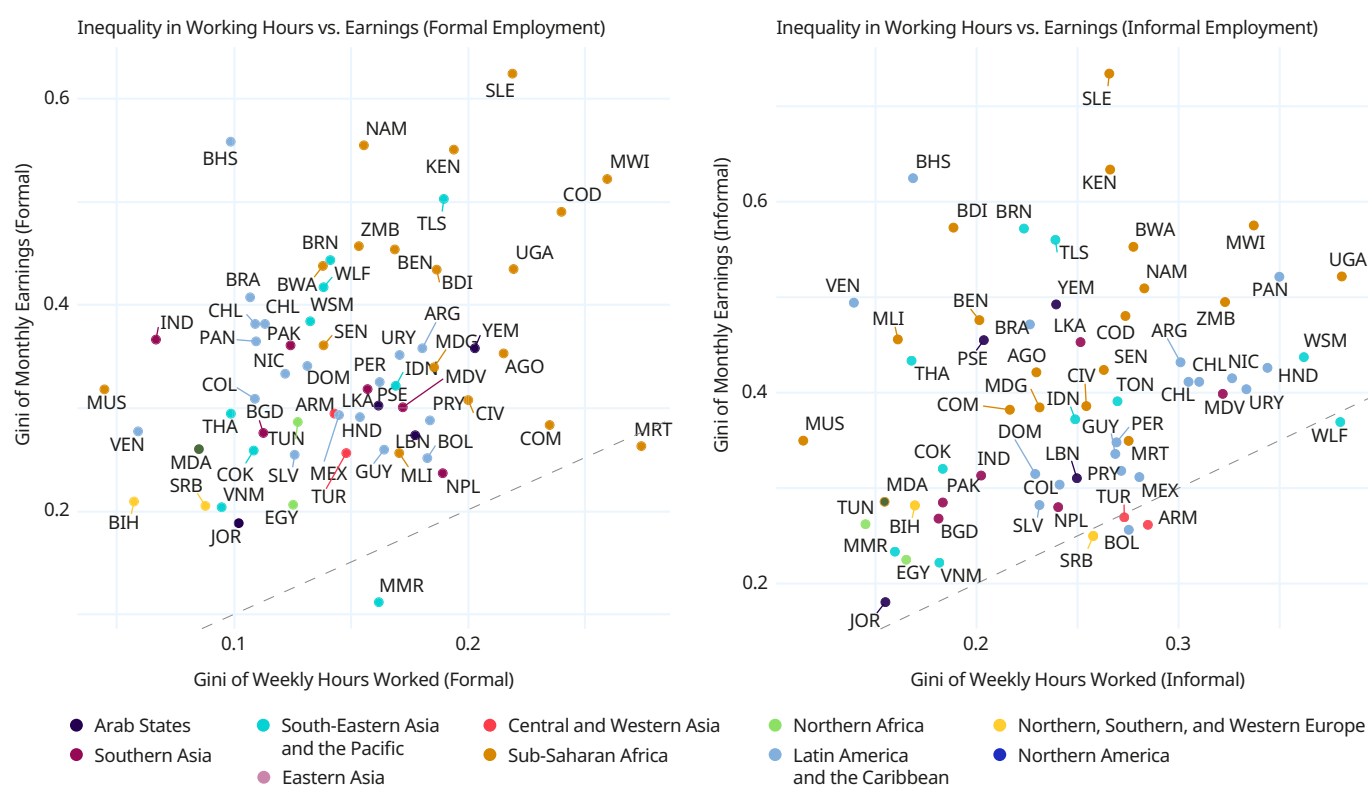
The relationship between hours and earnings inequality varies by employment status. Among workers in the informal economy in Central and Western Asia and Latin America and the Caribbean, disparities in monthly wages tend to be more closely aligned with differences in hours worked, consistent with

compensation mechanisms that are more directly tied to time investment. This likely reflects the absence of standardized wage structures and the greater prevalence of output-based or time-dependent pay arrangements typical of informal economic activities. For formal workers, the alignment between hours and earnings inequality is less pronounced, reflecting the role of institutionalized wage-setting mechanisms that partially decouple earnings from hours worked.

Looking at Figure 3, Mauritania exhibits the highest disparities in working hours among formal employees and lies very close to the 45-degree line, which may suggest that monthly wage inequality is primarily driven by differences in working hours. Myanmar shows the lowest earnings inequality and is the only country where the pattern is consistent with working hours playing an equalizing role, rather than amplifying existing differences in hourly rates. Mauritius has the smallest working hours disparities among formal wage workers, although it lies relatively far from the 45-degree line, suggesting that variation in hourly wages may amplify monthly wage inequality. Overall, Northern, Southern, and Western European countries show the smallest disparities across both indicators for formal employment.

Looking at Figure 4, among informal workers, Uganda shows the largest inequality in working hours. Conversely, Jordan exhibits one of the lowest levels of monthly wage inequality and the lowest level of inequality in working hours. The country lies close to the 45-degree line, consistent with the idea that most of the wage dispersion is associated with differences in working hours rather than different hourly rate. Mauritius displays the lowest level of working hours inequality in the informal sector, but differences in hourly wages seem to act as a magnifier of monthly wage inequality, as the point lies relatively far from the 45-degree line. Arab States and South-Eastern Asia and Pacific countries generally show relatively

► Figure 3 and 4. Inequality in wages and working hours by formality status



Note: Left chart displays relative inequality using the Gini coefficient (0-1 scale) for formal wage workers. Right chart expresses relative inequality using the Gini coefficient (0-1 scale) for informal wage workers.

Source: Author elaboration, ILO microdata from ILOSTAT.

low inequality among informal workers.

► 3. Earning inequality: Non-wage workers

Although wage earnings constitute a large share of income for many households, globally about half of the workers are classified as non-wage workers, including employers, own-account workers, contributing family workers, or workers associated with a cooperative⁸. Therefore, to obtain a comprehensive understanding of labour income inequality, it is important to also consider this group. It is well documented that, particularly in low- and middle-income countries, non-wage workers tend to work informally, earn lower incomes and face precarious working conditions, which are factors that contribute to higher levels of labour income inequality compared to wage inequality (ILO, 2024a). On the other hand, in high-income countries, the situation is different, with own-account workers typically being qualified, formal workers with men predominating. Our analysis extends this evidence by highlighting inequality within this particularly heterogeneous group of workers, and regional differences.

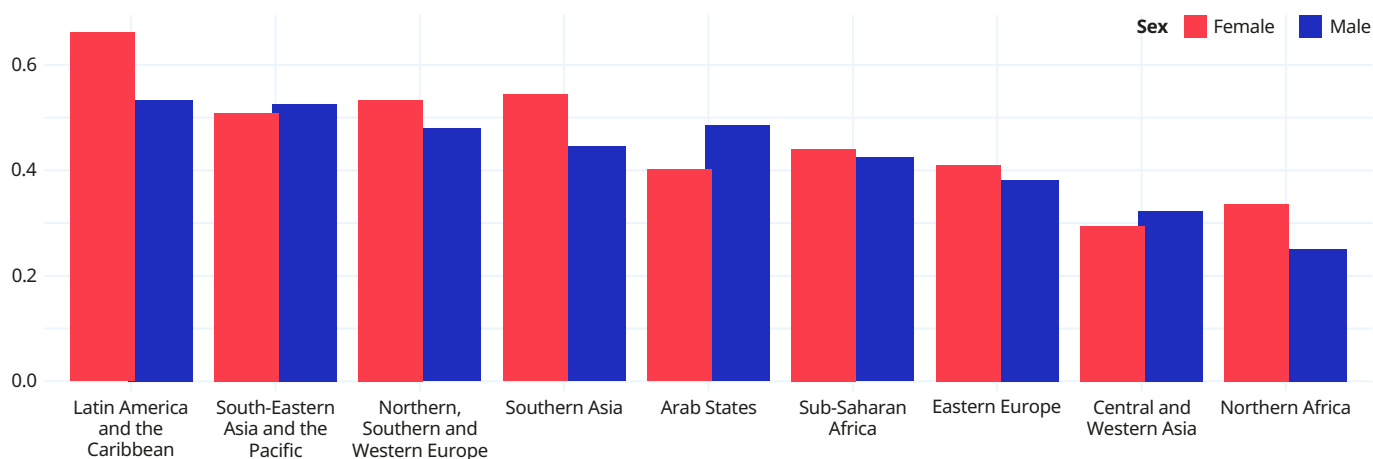
The analysis of earnings inequality among own-account workers serves several purposes: it identifies regions where this group of workers faces particularly dispersed earnings, potentially reflecting either high-risk/high-reward entrepreneurial environments or structural disadvantages, and it provides a measure of how unevenly income is distributed within this group, offering insights that can inform policies aimed at improving labour market outcomes for own-account workers as well as highlighting areas where further support may be needed to promote productive and decent work opportunities.

A significant limitation must be acknowledged: it is not possible to include the earnings of contributing family workers in the own-account workers analysis, which are overwhelmingly women. This is because even though they are identified in labour force surveys, earnings information for this group is often not collected. Contributing family workers are often not paid on a regular basis; instead, they may receive irregular payments in cash or in kind through family or intrahousehold transfers. This implies that, if their earning could be included, measured inequality among non-wage workers would likely be higher. Contributing family workers are mostly women (63% in 2020), which may reflect gender norms that make it more likely that women working in family enterprises are excluded from decisions on how the business is run (ILO, 2022b). Contributing family workers are, by definition, all in informal employment and often lack visibility in official statistics, particularly with respect to their income (ILO, 2018b). As a result, the reported inequality measures should be interpreted as a lower-bound estimate. Moreover, the fact that contributing family workers cannot be included also affects the analysis that compares inequality within different groups: because contributing family workers are predominantly women and entirely in informal employment, excluding them likely leads to a higher degree of underestimation of inequality among women and informal workers.

Figures 5 and 6 present average earnings inequality by subregion for specific subpopulations of own-account workers using the Mean Logarithmic Deviation (MLD). This measure was chosen for its analytical properties that are particularly relevant in own-account worker contexts, as it is highly sensitive to changes at the lower end of the earnings distribution (Cowell and Flachaire, 2007), which is important given that many own-account workers have low earnings. Specifically, Figure 3 presents earnings inequality computed separately for male and female own-account workers, while Figure 4 presents the same measure computed separately for own-account workers in formal and informal employment. While average earnings are known to be lower for women and informal workers, computing inequality within

⁸ The International Classification of Status in Employment and Status at Work (ICSE and ICSAW) have evolved over the years. For more detailed information see <https://ilostat.ilo.org/methods/concepts-and-definitions/classification-status-at-work/>

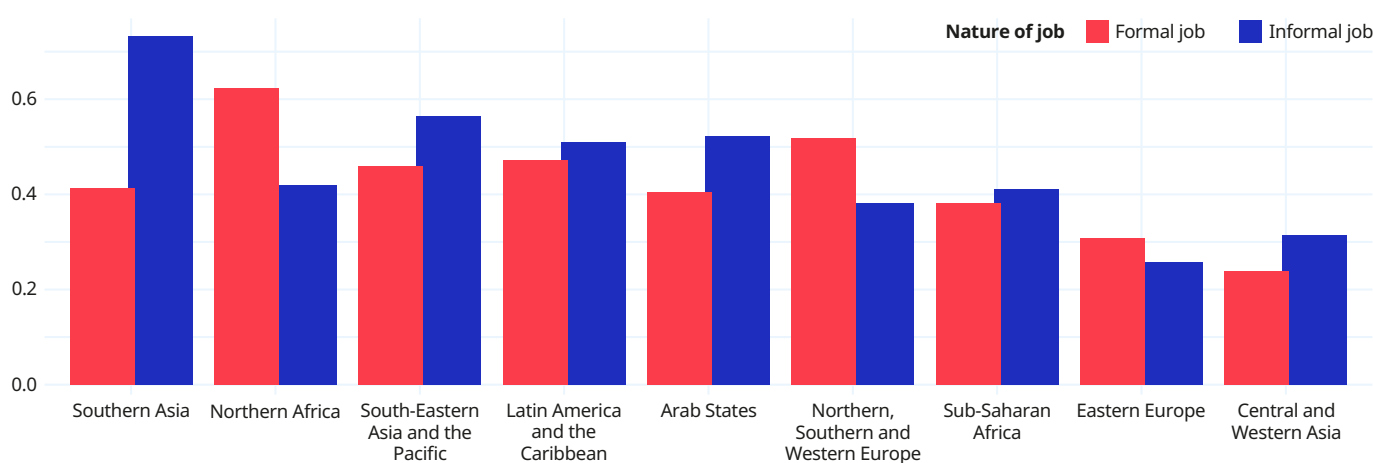
► **Figure 5. Inequality in earnings of own-account workers (MLD) by sex**



Source: Own elaboration, ILO microdata from ILOSTAT.

Note: Inequality is displayed using the MLD index (0-1 scale). Data bars coloured by category.

► **Figure 6. Inequality in earnings of own-account workers (MLD) by nature of job**



Source: Own elaboration, ILO microdata from ILOSTAT.

these groups provides additional insights into how income is distributed among them. Comparing within-group inequalities highlights where earnings are particularly uneven and can help identify subgroups or regions where policy interventions, such as support for women entrepreneurs or measures promoting formalization, may be most needed to improve both equity and labour market outcomes.

Differences in earnings inequality among male and female own-account workers (Figure 5) are generally modest in most regions. Latin America and the Caribbean exhibit the highest within-gender earnings inequality, with female own-account workers showing higher dispersion than males (approximately 0.10 points), resulting in the largest gender gap in the sample. By contrast, Northern Africa displays the

most equitable earnings distribution for both sexes on average. In six out of the nine subregion, female own-account workers experience higher levels of earning inequality than their male counterpart, indicating a more unequal distribution of earnings. These varying patterns across subregions suggest that regional labour market dynamics, cultural factors, and economic structures significantly influence how gender intersects with outcomes among own-account workers.

When interpreting these data, two important caveats should be kept in mind. First, similar levels of earnings inequality do not necessarily translate into similar earnings outcomes, as this is well-documented in the literature (Levy, F. & Murnane, R.J. 1992). While the distribution of male and female own-account workers may be similar in shape, the two distributions may be located at different earnings levels, as reflected in between-group inequality not shown in this graph. Second, earning distributions and their summary statistics also reflect choices and constraints that occur outside the labour market. Similar outcomes between sexes in terms of either earnings levels or inequality do not necessarily translate into full equality if access to such opportunities is limited for one group compared to the other. For example, very low levels of earnings inequality among women may reflect that only a selected group of women enter the labour market, whereas for men participation is more widespread. Hence, any assessment of earnings inequality must take into account the broader country context, including economic structures, social norms, and institutional factors that shape access to opportunities.

Analysis by employment status (Figure 6) reveals a varied pattern across subregions. Southern Asia displays the largest gap in earnings inequality between formal and informal own-account workers, while Sub-Saharan Africa and Latin America and the Caribbean exhibit more modest differences between the two groups. In six of the nine subregions, the earnings distribution of informal own-account workers is more unequal than that of their formal counterparts. This pattern may reflect the heterogeneous nature of informal employment, where some informal businesses are relatively successful but remain outside the formal sector, while others operate informally due to low productivity. Conversely, very low levels of earnings inequality among informal own-account workers may indicate an earnings distribution highly concentrated toward lower wages.

Comparing the levels of inequality in Figures 3 and 4 provides some idea about the relative importance of gender and employment status in shaping earnings inequality. For example, in Eastern Europe, earnings inequality among formal and informal own account workers is relatively low, with MLD values below 0.3. By contrast, when measured separately for male and female own-account workers, MLD rises to around 0.4 for both groups. The fact that inequality is higher when measured separately by gender, with each group including both formal and informal workers so that differences in employment status contribute to overall inequality, suggests that employment status may be a more important driver of overall earnings inequality than gender, although a formal decomposition would be needed to confirm this.

► 4. Discussion and Conclusions

This publication presents a multidimensional view of earnings inequality in the world of work, using complementary approaches to capture the complexity of global labour market disparities, looking both at wage workers and own-account workers. Examining both relative and absolute Gini measures reveals that inequality can look quite different depending on the metric applied, underscoring the need to use both indicators to fully grasp the dynamics of inequality.

Sub-Saharan Africa and Latin America consistently display high relative inequality, while absolute measures reveal additional nuances, including substantial income gaps persisting despite economic growth. This demonstrates why complementary measures are essential; relying solely on relative inequality risks masking widening material differences. From a policy perspective, this highlights the importance of considering both relative and absolute measures of inequality when designing interventions, as each provides distinct yet complementary insights into labour market disparities. Equally important is the need for regular data collection and continuous analytical efforts, and the development of new measures that can capture evolving dimensions of inequality.

Persistent inequality in the labour market reflects and reinforces broader household income inequalities, calling for a policy approach that combines both distributive and redistributive measures. Distributive policies, such as promoting fair wages and equal access to employment opportunities, can help reduce inequality at its source. Redistributive measures, including targeted transfers or taxation, are particularly relevant for high-income countries where disparities persist under both relative and absolute measures, as they help prevent these gaps from becoming entrenched.

Geographic clustering of inequality patterns requires careful interpretation, as significant heterogeneity exists within regions. Sub-Saharan Africa, Northern Africa, and parts of Latin America show consistently higher inequality across multiple dimensions, reflecting complex interactions between structural economic factors, institutional frameworks, and historical development trajectories that vary across countries. In contrast, many European countries demonstrate lower wage inequality, supported by robust labour institutions such as collective bargaining, minimum wage policies, and standardised pay structures.

The horizontal inequality analysis in this paper suggests that structural labour market characteristics may be more influential than individual demographic traits. Pronounced between-sector disparities, particularly in Sub-Saharan and Northern Africa, indicate that wages differ substantially across sectors. Large between-group coefficients, indicative of substantial wage differences between formal and informal employees, also highlight the critical importance of policies that promote transition to formality. Gender-based horizontal inequality appears modest in between-group terms, but this measure reflects only average earnings differences and provides a partial view of gender pay disparities. Gender likely intersects with other factors, such as sector and formality status, creating complex patterns of disadvantage that require further investigation using complementary analytical approaches.

The inequality of opportunity analysis shows that 2 to 7 percent of total wage inequality stems from circumstances beyond individual control, including sex, place of birth, disability status, and geographical coverage. While these shares may seem small, they represent systemic barriers rather than personal choices. Their persistence over time suggests deeply entrenched structural factors that resist change without targeted interventions. It is also important to recognise that some factors typically considered effort-based, such as education or sectoral affiliation, may themselves be shaped by circumstances, for example through family background or gender stereotypes, and are therefore relevant for policy interventions aimed at reducing inequality of opportunity.

This analysis acknowledges that individual wages alone cannot capture inequality at the household level, where outcomes are shaped by factors such as family size, the number of earners, and the presence of dependents. It is also necessary to take into account the redistributive impact of government policies, including taxes and social transfers, which can significantly alter disposable household income. Understanding inequality in the world of work therefore requires more comprehensive and sophisticated measurement approaches.

The findings provide a descriptive foundation for exploring potential causal relationships and highlight the need for deeper investigation to assess the relative importance of individual characteristics versus structural factors. While selection into sectors and formal employment may reflect individual attributes, evidence suggests that structural factors such as labour market segmentation, sectoral development, and formalisation play a substantial role in determining earnings outcomes and warrant significant policy attention.

Creating more equitable labour markets requires understanding inequality as a multidimensional phenomenon shaped by complex interactions between individual characteristics, structural economic factors, and institutional frameworks. This publication offers baseline evidence for such understanding while underscoring the need for continued research and comprehensive policy approaches that address multiple dimensions of inequality simultaneously.

The analysis of earnings inequality among own-account workers indicates that, within this often vulnerable group, some individuals experience particularly high levels of inequality. This reflects that, for many, particularly women, own-account work often represents a constrained choice in the absence of access to decent wage employment. While the policy relevance of addressing within-group inequality among own-account workers may seem limited, since their earnings outcomes are often difficult to influence directly through policy, these findings underscore the importance of promoting the creation of productive wage employment. Moreover, when examining inequality and earnings patterns for own-account workers, it is crucial to consider country-specific circumstances: in high-income countries, own-account workers are often qualified and operate in the formal sector, whereas in low- and middle-income regions, they are more likely to be informal own-account workers with systematically different earnings patterns.

The comparative analysis of own-account workers in formal and informal employment confirms expected patterns: those in the informal economy experience systematically higher dispersion in earnings, largely because they lack the protections and stability associated with formal labour arrangements. This variation also reflects the heterogeneous nature of informal employment.

This publication presents a range of inequality estimates, some aggregated at the subregional level, providing an overview of the state of labour income inequality worldwide. However, these measures are summary indicators, and more in-depth analysis is needed to fully understand and contextualize the circumstances in different countries. Future research could particularly focus on the compositional effects and selection mechanisms underlying observed inequality patterns, especially among own-account workers, to better inform evidence-based policy interventions in the world of work.

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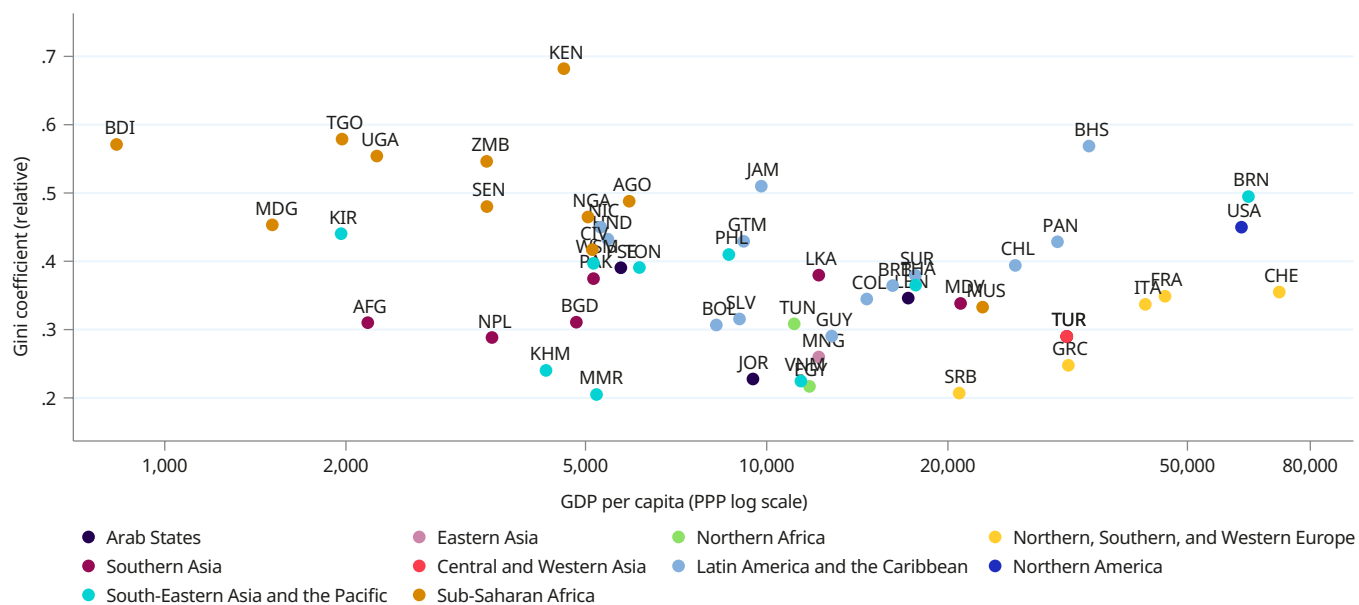
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► Appendix

► **Figure 1A. Vertical Inequality: Relative Measures for wage workers** (constant 2017 USD PPP)



The background is a solid blue color. Overlaid on this are several thin, yellow lines that form a series of intersecting diagonal lines, creating a geometric pattern of triangles and quadrilaterals across the entire page.

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